

SENATE BILL 321

Unofficial Copy
N1
SB 225/02 - JPR

2003 Regular Session
3r1775

By: **Senators Conway, Della, Hughes, Jones, and ~~McFadden~~ McFadden, and Giannetti**

Introduced and read first time: January 31, 2003
Assigned to: Judicial Proceedings

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 18, 2003

CHAPTER _____

1 AN ACT concerning

2 **Real Property - Ground ~~Rent~~ Rents - ~~Limit on Costs~~ Reimbursement for**
3 **Costs and Expenses**

4 FOR the purpose of prohibiting a person from collecting ~~more than a certain amount~~
5 ~~in any~~ any additional costs or expenses relating to collection of past due ground rent
6 unless certain notice requirements are met; providing that a holder of a ground
7 rent is entitled to reimbursement for certain expenses not exceeding a certain
8 amount incurred in collecting a certain past due ground rent and complying
9 with certain notice requirements; providing that a certain plaintiff or holder of a
10 ground rent is entitled to reimbursement for certain reasonable expenses
11 incurred in the preparation and filing of a certain action for ejection if certain
12 notice requirements are met; defining a certain term; and generally relating to
13 ground ~~rent~~ rents.

14 BY renumbering
15 Article - Real Property
16 Section 8-402.3
17 to be Section 8-402.4
18 Annotated Code of Maryland
19 (1996 Replacement Volume and 2002 Supplement)

20 BY repealing and reenacting, with amendments,
21 Article - Real Property
22 Section 8-111.1 and 8-402.2
23 Annotated Code of Maryland

1 (1996 Replacement Volume and 2002 Supplement)

2 BY adding to

3 Article - Real Property

4 Section 8-402.3

5 Annotated Code of Maryland

6 (1996 Replacement Volume and 2002 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
8 MARYLAND, That Section(s) 8-402.3 of Article - Real Property of the Annotated
9 Code of Maryland be renumbered to be Section(s) 8-402.4.

10 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
11 read as follows:

12 **Article - Real Property**

13 8-111.1.

14 (a) This section applies to all residential leases or subleases in effect on or
15 after October 1, 1999, which have an initial term of 99 years and which create a
16 leasehold estate, or subleasehold estate, subject to the payment of an annual ground
17 rent.

18 (b) In any suit, action, or proceeding by a landlord, or the transferee of the
19 reversion in leased property, to recover back rent, the landlord, or the transferee of
20 the reversion in leased property is entitled to demand or recover not more than 3
21 years back rent.

22 (C) IN ADDITION TO RENT PAYABLE UNDER SUBSECTION (B) OF THIS
23 SECTION, A LANDLORD MAY NOT RECEIVE REIMBURSEMENT FOR ANY ADDITIONAL
24 COSTS OR EXPENSES RELATED TO COLLECTION OF THE BACK RENT ~~THAT EXCEED~~
25 ~~THE LESSER OF:~~

26 ~~(+) ACTUAL EXPENSES; OR~~

27 ~~(=) \$400 UNLESS THE NOTICE REQUIREMENTS OF §§ 8-402.2 AND 8-403.3~~
28 ~~OF THIS TITLE ARE MET.~~

29 8-402.2.

30 (a) Whenever, in a case that involves a 99-year ground lease renewable
31 forever, at least 6 months ground rent is in arrears and the landlord has the lawful
32 right to reenter for the nonpayment of the rent, the landlord, no less than ~~30~~ 45 days
33 after sending to the tenant by certified mail, return receipt requested, at the tenant's
34 last known address, AND ALSO BY FIRST CLASS MAIL TO THE TITLE AGENT OR
35 ATTORNEY LISTED ON THE DEED TO THE PROPERTY OR THE INTAKE SHEET
36 RECORDED WITH THE DEED, a bill for the ground rent due, may bring an action for
37 possession of the property under § 14-108.1 of this article; if the tenant cannot be

1 personally served or there is no tenant in actual possession of the property, service by
2 posting notice on the property may be made in accordance with the Maryland Rules.
3 Personal service or posting in accordance with the Maryland Rules shall stand in the
4 place of a demand and reentry.

5 (b) (1) Before entry of a judgment the landlord shall give written notice of
6 the pending entry of judgment to each mortgagee of the lease, or any part of the lease,
7 who before entry of the judgment has recorded in the land records of each county
8 where the property is located a timely request for notice of judgment. A request for
9 notice of judgment shall:

10 (i) Be recorded in a separate docket or book that is indexed under
11 the name of the mortgagor;

12 (ii) Identify the property on which the mortgage is held and refer to
13 the date and recording reference of that mortgage;

14 (iii) State the name and address of the holder of the mortgage; and

15 (iv) Identify the ground lease by stating:

16 1. The name of the original lessor;

17 2. The date the ground lease was recorded; and

18 3. The office, docket or book, and page where the ground
19 lease is recorded.

20 (2) The landlord shall mail the notice by certified mail return receipt
21 requested to the mortgagee at the address stated in the recorded request for notice of
22 judgment. If the notice is not given, judgment in favor of the landlord does not impair
23 the lien of the mortgagee. Except as otherwise provided in subsection (b) of this
24 section, the property is discharged from the lease and the rights of all persons
25 claiming under the lease are foreclosed unless, within 6 calendar months after
26 execution of the judgment for possession, the tenant or any other person claiming
27 under the lease:

28 (i) Pays the ground rent, arrears, and all costs awarded against
29 that person; and

30 (ii) Commences a proceeding to obtain relief from the judgment.

31 (c) This section does not bar the right of any mortgagee of the lease, or any
32 part of the lease, who is not in possession at any time before expiration of 6 calendar
33 months after execution of the judgment awarding the landlord possession, to pay all
34 costs and damages sustained by the landlord and to perform all the covenants and
35 agreements that are to be performed by the tenant.

1 (D) EXCEPT AS OTHERWISE PROVIDED BY LAW, A LANDLORD MAY NOT
 2 RECEIVE REIMBURSEMENT FOR ANY ADDITIONAL COSTS OR EXPENSES RELATED TO
 3 COLLECTION OF THE BACK RENT ~~THAT EXCEED THE LESSER OF:~~

4 (1) ~~ACTUAL EXPENSES; OR~~

5 (2) ~~\$400 UNLESS THE NOTICE REQUIREMENTS OF THIS SECTION AND §~~
 6 ~~8-403.3 OF THIS SUBTITLE ARE MET.~~

7 8-402.3.

8 (A) IN THIS SECTION, "GROUND RENT" MEANS A RESIDENTIAL LEASE OR
 9 SUBLEASE IN EFFECT ON OR AFTER OCTOBER 1, 2003, THAT HAS AN INITIAL TERM OF
 10 99 YEARS RENEWABLE FOREVER AND CREATES A LEASEHOLD ESTATE SUBJECT TO
 11 THE PAYMENT OF SEMIANNUAL INSTALLMENTS OF AN ANNUAL LEASE AMOUNT.

12 (B) (1) A HOLDER OF A GROUND RENT THAT IS AT LEAST 6 MONTHS IN
 13 ARREARS IS ENTITLED TO REIMBURSEMENT FOR ACTUAL EXPENSES NOT
 14 EXCEEDING \$500 INCURRED IN THE COLLECTION OF THAT PAST DUE GROUND RENT
 15 AND IN COMPLYING WITH THE NOTICE REQUIREMENTS UNDER § 8-402.2(A) OF THIS
 16 SUBTITLE, INCLUDING:

17 (I) TITLE ABSTRACT AND EXAMINATION FEES;

18 (II) JUDGMENT REPORT FEES;

19 (III) PHOTOCOPYING AND POSTAGE FEES; AND

20 (IV) ATTORNEY'S FEES.

21 (2) UPON FILING AN ACTION FOR EJECTMENT, THE PLAINTIFF OR
 22 HOLDER OF A GROUND RENT IS ENTITLED TO REIMBURSEMENT FOR REASONABLE
 23 EXPENSES INCURRED IN THE PREPARATION AND FILING OF THE EJECTMENT
 24 ACTION, INCLUDING:

25 (I) FILING FEES AND COURT COSTS;

26 (II) EXPENSES INCURRED IN THE SERVICE OF PROCESS OR
 27 OTHERWISE PROVIDING NOTICE;

28 (III) TITLE ABSTRACT AND EXAMINATION FEES NOT INCLUDED
 29 UNDER PARAGRAPH (1) OF THIS SUBSECTION, NOT EXCEEDING \$300;

30 (IV) REASONABLE ATTORNEY'S FEES NOT EXCEEDING \$700; AND

31 (V) TAXES, INCLUDING INTEREST AND PENALTIES, THAT HAVE
 32 BEEN PAID BY THE PLAINTIFF OR HOLDER OF A GROUND RENT.

33 (C) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION OR IN §
 34 8-402.2(C) OF THIS SUBTITLE, THE PLAINTIFF OR HOLDER OF A GROUND RENT IS NOT

1 ENTITLED TO REIMBURSEMENT FOR ANY OTHER EXPENSES INCURRED IN THE
2 COLLECTION OF A GROUND RENT.

3 (D) (1) THE HOLDER OF A GROUND RENT MAY NOT BE REIMBURSED FOR
4 EXPENSES UNDER SUBSECTION (B) OF THIS SECTION UNLESS THE HOLDER SENDS
5 THE TENANT AS IDENTIFIED IN THE RECORDS OF THE STATE DEPARTMENT OF
6 ASSESSMENTS AND TAXATION WRITTEN NOTICE AT LEAST 30 DAYS BEFORE TAKING
7 ANY ACTION IN ACCORDANCE WITH § 8-402.2(A) OF THIS SUBTITLE AND § 14-108.1 OF
8 THIS ARTICLE.

9 (2) THE NOTICE SHALL BE IN 14 POINT, BOLD FONT, AND CONTAIN THE
10 FOLLOWING:

11 (I) THE AMOUNT OF THE PAST DUE GROUND RENT;

12 (II) A STATEMENT THAT UNLESS THE PAST DUE GROUND RENT IS
13 PAID WITHIN 30 DAYS, FURTHER ACTION WILL BE TAKEN IN ACCORDANCE WITH §
14 8-402.2(A) OF THIS SUBTITLE AND § 14-108.1 OF THIS ARTICLE AND THE TENANT WILL
15 BE LIABLE FOR THE EXPENSES AND FEES INCURRED IN CONNECTION WITH THE
16 COLLECTION OF THE PAST DUE GROUND RENT AS PROVIDED IN THIS SECTION.

17 (3) THE HOLDER OF THE GROUND RENT SHALL:

18 (I) MAIL THE NOTICE BY FIRST CLASS MAIL TO THE TENANT'S
19 LAST KNOWN ADDRESS AS SHOWN IN THE RECORDS OF THE STATE DEPARTMENT OF
20 ASSESSMENTS AND TAXATION; AND

21 (II) OBTAIN A CERTIFICATE OF MAILING FROM THE UNITED
22 STATES POSTAL SERVICE.

23 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take
24 effect October 1, 2003.